



Health Reporter

A Newsletter for Retired Members of the State Health Benefits Program

Division of Pensions and Benefits

Spring/Summer 2004

New Medicare Benefits

On December 8, 2003, President George W. Bush signed into law the Medicare Prescription Drug Improvement and Modernization Act of 2003. Of great importance to many seniors are the sections of this law pertaining to prescription drug coverage. The coverage consists of two parts, the first of which is referred to as the **Medicare Prescription Drug Discount Card and Transitional Assistance Program** (Discount Card Program), and the second, as the **Medicare Prescription Drug Benefit** (Drug Benefit). The Discount Card Program is scheduled to take effect on or about the first of June of this year, while the Drug Benefit is scheduled to take effect on the first of January 2006. Enrollment in the Discount Card Program and the Drug Benefit will be voluntary.

Discount Card — Available June 1, 2004

It is expected that there will be a rash of activity from the federal government's Centers for Medicare and Medicaid Services (CMS) and approved Discount Card Program sponsors encouraging seniors to enroll in a program. **The State Health Benefits Program (SHBP) is discouraging its covered retirees from enrolling in any of these programs.** The SHBP believes that State retirees will not benefit financially from enrolling in a Discount Card Program. There are several reasons for stating this.

- ¥ First, almost all senior citizens who elect to enroll in a Discount Card Program will have to pay an annual enrollment fee of approximately \$30 to the program sponsor.
- ¥ Second, the discounts available under that program will usually be significantly less than the discounts that the SHBP receives from its prescription drug benefit contractors and offers to our retirees.

¥ Third, any retiree who is enrolled in the SHBP who attempts to achieve a savings on his or her prescription drugs by using the discount card will find that he or she will not be able to use their SHBP plan's prescription drug card, but will have to pay the price established by the Discount Card Program sponsor out-of-pocket. (continued on page 7)

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Maintaining Your SHBP Information

When dealing with a significant "life event" or family status change, such as a marriage, divorce, or death, your health benefits coverage may not be foremost in your mind. However, promptly reporting these status changes to the SHBP is important.

Do any of the following events or changes apply to you?

- ¥ You are newly married.
- ¥ You are recently divorced or legally separated.
- ¥ A dependent recently died.

(continued on next page)

Message from the Director

Over the next few years, Medicare-eligible SHBP retired members are going to be faced with several decisions regarding new prescription drug benefits offered by Medicare. It is important that you carefully review all the choices that you will be offered, as well as any changes to these laws between now and 2006 or to the regulations that will be set forth to carry out these new laws. In this issue of the *Health Reporter*, we discuss these new Medicare laws and how they could affect you as a SHBP member (page 1). Carefully read this article and be sure that you understand your options before making decisions that might have a major impact on the quality of your health care.

Unlike other employers, the SHBP is able to offer employees and retirees an array of plans from which to choose and takes pride in doing so. As a SHBP retired member, you are able to compare the benefits of these plans and have the freedom to make enrollment choices based on what best fits your health care needs as well as the needs of your family. Please keep this in mind when weighing your SHBP plan options against the new Medicare programs.

I would also like to draw your attention to a new health service being provided by the State of New Jersey that is described by Governor James E. McGreevey in a letter to our readers on page 3. "How's Your Health, New Jersey" provides you a valuable tool to help you improve your physical and mental well-being. I join Governor McGreevey in encouraging you to use it.

Frederick J. Beaver, Director
Division of Pensions and Benefits

Maintaining Your SHBP Information *(continued from previous page)*

- ¥ Your child or stepchild under the age of 23 should no longer be covered because he/she:
 - ¥ has obtained health coverage through his/her own employer and is no longer dependent on you;
 - ¥ has recently married;
 - ¥ no longer lives with you for reasons other than being away at college; or
 - ¥ should not be covered because you are no longer legally required to provide health coverage for him or her.

If you pay a premium for your health coverage and have not notified the SHBP to remove a dependent that should not be covered, you may be overpaying based on the level of coverage that the SHBP has on file for you. And whether you pay a premium or not, promptly reporting status changes can prevent mistakes when processing your claims and may save time and money.

If any of the situations listed above pertain to you, you should complete a *SHBP Retired Status Application* and mail it to the SHBP within 60 days of the event to update your personal information with the SHBP. **If you have had a life event or family status change in recent months and are unsure as to whether or not the SHBP has you enrolled in the correct plan, level of coverage, and effective date call the Division of Pensions and Benefits' Automated Information System at (609) 777-1777 to verify your coverage information.** To use the Automated Information System, all you need is your Social Security number and a touch-tone phone. The system is available 24 hours a day, seven days a week, including State holidays.

To obtain a *SHBP Retired Status Application* call our Benefit Information Library at (609) 777-1931; use selection number 1-3-1 to order the form. If you have questions about your coverage you can write to the SHBP at the Division of Pensions and Benefits, PO Box 299, Trenton, NJ 08625-0299, or e-mail us at pensions.nj@treas.state.nj.us



State of New Jersey

OFFICE OF THE GOVERNOR

PO Box 001

Trenton, NJ 08625-0001

JAMES E. MCGREEVEY
Governor

"How's Your Health, New Jersey?"

Dear Friend,

SHBP members and all New Jersey residents now have a valuable opportunity to get immediate and free feedback on the state of their health — and how to improve it — by simply logging on to the Internet and taking a survey at www.howsyourhealthnj.org

The survey is a short and user-friendly method of providing you with personalized advice on preventive care and chronic illness management. Survey results will be analyzed by a clinical team from New Jersey's Health Care Quality Institute, who will send back some diagnostic information and questions for you to share with your own doctor. The goal of the survey is to promote a more productive relationship between you and your health-care providers.

Many believe that the nation's health care system and its methods of delivery are in a state of crisis. Americans are struggling with record levels of obesity, diabetes, and other chronic diseases. At the same time, health care costs continue to climb higher, making it increasingly difficult to find and maintain quality, affordable medical care.

One contributing factor to the high cost of care, according to recent studies, is a lack of clear communication between doctors and patients. In order to better facilitate this communication, Dr. John Wasson, a researcher and professor at Dartmouth Medical School, developed "How's Your Health," a national initiative that is being implemented on a state-wide basis in New Jersey.

"How's Your Health, New Jersey" is made possible through a group effort by the New Jersey Health Care Quality Institute, the New Jersey Chamber of Commerce, the State of New Jersey, and the New Jersey Health Care Payers Coalition. It is supported financially by the Commonwealth Fund and the Robert Wood Johnson Foundation, private foundations that support independent research on health issues.

"How's Your Health, New Jersey" will enable consumers to get a quick check-up on their health needs, become more informed health care consumers, and improve communication with their doctors. I am proud that our State has become the first in the nation to implement "How's Your Health" State-wide, and urge you to take advantage of this new and important health care tool.

With all good wishes,

A handwritten signature in black ink, reading "James E. McGreevey".

James E. McGreevey

Governor

State of New Jersey

Domestic Partnership Act

On January 12, 2004, Governor James E. McGreevey signed into law Chapter 246, P.L. 2003 - the Domestic Partnership Act, which recognizes and supports adult individuals in New Jersey who wish to establish a domestic partnership. This law **becomes effective July 10, 2004** and provides that two persons who desire to become domestic partners may execute and file an *Affidavit of Domestic Partnership* with any New Jersey local registrar provided they meet the requirements and provisions of the law.

This law also extends public pension and State Health Benefits Program (SHBP) benefits to same-sex domestic partners of State employees and retirees and permits local governmental employers to extend those same domestic partner benefits to their employees and retirees. The law specifically states that the pension and health benefit provisions of the law do not apply to opposite-sex domestic partners because they could obtain those benefits by exercising the option of marriage.

Eligibility

The Domestic Partnership Act applies to any **State employee** or **State retiree** who has obtained a New Jersey *Certificate of Domestic Partnership* (or a valid certification from another jurisdiction that recognizes same-sex domestic partners, civil unions, or similar same-sex relationships). A State retiree includes employees who retired from the executive, judicial, and legislative branches of New Jersey State government, retirees of Rutgers University, UMDNJ, NJIT, and the state colleges and universities, and retirees of the Palisades Interstate Park Commission, the NJ Building Authority, the State Library, the NY Harbor Authority, and the Commerce and Economic Growth Commission.

The Domestic Partnership Act applies to eligible retirees of **local public** entities **only if** the governing body adopts the benefit by resolution or ordinance. The local public retiree must also obtain a New Jersey *Certificate of Domestic Partnership* from the State of New Jersey (or a valid certification from another jurisdiction that recognizes same-sex domestic partners,

civil unions, or similar same-sex relationships). This includes non-State retirees who are SHBP members and have an arrangement where the State pays or shares the cost of their benefits (e.g., board of education members who retired with 25 or more years of service, PFRS retirees eligible for coverage under the provisions of Chapter 330, etc.).

Tax Implications

Retirees need to be aware of the possible tax implications of adding a domestic partner to SHBP benefits. **Since the federal tax code does not view domestic partners in the same manner as spouses, the domestic partnership benefit provided to retirees will be subject to federal income, Social Security, and Medicare taxes.** Any retiree receiving State- or employer-paid post-retirement medical benefits who adds a domestic partner to his or her coverage, should expect to have to pay these taxes based on imputed income from the domestic partner coverage. Of course, if the retiree pays for the full cost of coverage, the benefit will not be subject to federal taxes.

The value of the domestic partner benefit that will be reported as income to the retiree who receives State- or employer-paid SHBP coverage will be the cost of single coverage in the plan in which the retiree is enrolled. If the retiree pays for a portion of the coverage through premium sharing arrangements, then the income reported will be reduced by the amount that the retiree pays for the domestic partner's coverage.

At the end of the tax year, the Division will send to State retirees with domestic partner coverage, a federal *Form W-2* showing the income attributed to the domestic partner benefit that the Division had reported to the IRS. Retirees of local governments and school boards who receive free coverage will receive the *Form W-2* from their former employers.

In certain circumstances, a retiree may be exempt from additional tax on imputed income if the domestic partner can qualify as a dependent under the federal tax code. These requirements are not easily met and are strictly enforced by the IRS. If you want to claim a dependency exemption for a person, all five of the following dependency tests must be met:

(continued on next page)

Domestic Partnership Act (continued from previous page)

- ¥ The member of the household or relationship test,
- ¥ The citizen or resident test,
- ¥ The joint return test,
- ¥ The gross income test, and
- ¥ The support test.

Contact the IRS or see IRS Tax Topic 354—*Dependents* for more details. If you are an eligible State retiree, **and** your domestic partner meets the five dependency tests, you can file a *Retiree Tax Certification—Domestic Partner Benefit* with the Division of Pensions and Benefits to insure we do not report the value of the benefit as imputed income to the federal government. If you are a retiree of any employer other than the State, you will have to contact your former employer to see how the employer is handling this issue for its retirees. Please note that this certification must be renewed every year.

The domestic partnership benefit is not subject to New Jersey State income tax. If you live outside of New Jersey, you should check with your state's tax agency to determine if the domestic partner benefit is subject to state taxes.

Applying for SHBP Coverage for an Eligible Domestic Partner

To apply for domestic partnership coverage, SHBP members who are State retirees and retirees from a local employer that has adopted the resolution extending domestic partnership benefits must provide a *Certificate of Domestic Partnership* along with a completed *SHBP Retired Status Application*.

For More Information

For additional information about the Domestic Partnership Act and the SHBP, visit our Web site at www.state.nj.us/treasury/pensions. For information on how to apply for domestic partnership, contact the local registrar's office where you live. A list of local registrars can be found on the Web site of the New Jersey Department of Health and Senior Services at:

www.state.nj.us/health/vital/regbycnty.shtml

HIPAA Notice for 2004

The federal Health Insurance Portability and Accountability Act (HIPAA) of 1996 requires group health plans to implement several provisions contained within the law or annually notify its membership of any provisions for which they file an exemption.

For the plan year that began January 1, 2004, all SHBP health plans meet or exceed the federal requirements, with the exception of mental health parity for the Traditional Plan and NJ PLUS. The State Health Benefits Commission has filed an exemption from the area of mental health parity for non-biologically based mental illness with the federal Centers for Medicare and Medicaid Services for calendar year 2004 for the Traditional Plan and NJ PLUS. As a result, the maximum annual and lifetime dollar limits for mental health benefits under the Traditional Plan and NJ PLUS, as outlined in the *SHBP Summary Program Description*, will not change.

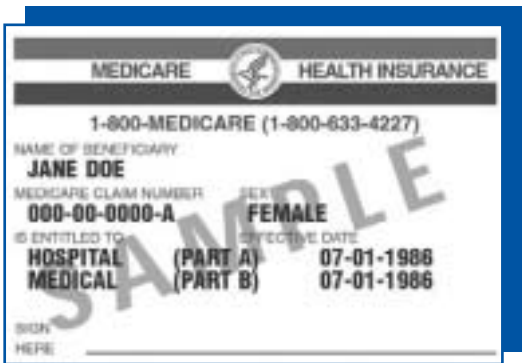
Health Reporter Available on Audiotape

If you or a retired SHBP member you know is visually impaired and would like to receive the *Health Reporter* on audiotape, send your name, address, and Social Security or retirement number to *Health Reporter*, Division of Pensions and Benefits, PO Box 295, Trenton, NJ 08625-0295, send e-mail to: pensions.nj@treas.state.nj.us, or call the Office of Client Services at (609) 292-7524.

Is your Dependent Eligible for Medicare Coverage?

As a retired member you must show Medicare enrollment at age 65, after 24 months of receiving Social Security Disability, or if you have end-stage renal disease. **But is your dependent spouse, partner, or child eligible for Medicare coverage by reason of age or disability? If so, your dependents must be enrolled in both Medicare Part A (Hospital Insurance) and Part B (Medical Insurance) when they are eligible for these Medicare benefits in order to enroll or remain covered by the SHBP Retired Group coverage.**

If you have not already done so, you will be required to submit documentation of your dependent's enrollment in Medicare Parts A and B upon his or her becoming eligible for that coverage (see eligibility criteria below). Acceptable documentation includes a photocopy of the Medicare card showing **both** Part A and Part B enrollment or a letter from Medicare indicating the effective dates of both Part A and Part B coverage.



Send the evidence of enrollment to the Health Benefits Bureau, Division of Pensions and Benefits, PO Box 299, Trenton, New Jersey 08625-0299 or fax it to (609) 341-3407. If you do not submit evidence of your dependent's Medicare coverage under both Part A and Part B, your dependent will be terminated from the SHBP. Upon submission of proof of full Medicare coverage, your dependent's coverage will be reinstated by the SHBP on a prospective basis.

Your dependent may be eligible for Medicare for the following reasons:

Medicare Eligibility by Reason of Age

This applies to your eligible dependent who is at least 65 years of age. Your eligible dependent is con-

sidered to be eligible for Medicare by reason of age from the first day of the month during which he/she reaches age 65. However, if he or she is born on the first day of a month, he/she is considered to be eligible for Medicare from the first day of the month which is immediately prior to his/her 65th birthday. After Medicare enrollment, your SHBP health plan becomes the secondary plan to Medicare.

Medicare Eligibility by Reason of Disability

This applies to your eligible dependent under age 65. A member is considered to be eligible for Medicare by reason of disability if they have been receiving Social Security Disability benefits for 24 months. After Medicare enrollment, your SHBP health plan becomes the secondary plan to Medicare.

Medicare Eligibility by Reason of End Stage Renal Disease

While a dependent usually becomes eligible for Medicare at age 65 or upon receiving Social Security Disability benefits for two years, a dependent that is not eligible for Medicare because of age or disability may qualify because of treatment for End Stage Renal Disease (ESRD). Contact the Social Security Administration for details.

If Medicare Ends

Unless one ceases to be eligible for Medicare, anyone eligible for Medicare must maintain enrollment in the full Medicare program for as long as they are covered under the SHBP. On rare occasions, Medicare eligibility due to disability or ESRD will end and the SHBP coverage should be adjusted. If Medicare enrollment ends for any reason, please contact the SHBP immediately.

For More Information

For more information about how to sign up for Medicare, contact the Social Security Administration at 1-800-772-1213 or visit them over the Internet at: www.ssa.gov For specific questions regarding the Medicare program contact the Centers for Medicare and Medicaid Services at 1-800-Medicare (1-800-633-4227). TTY users can call 1-877-486-2048. Information about Medicare and what it covers is also available at: www.medicare.gov

Attention NJREA Members

The New Jersey Retired Educators Association (NJREA) will be holding a **final open enrollment period**, September 15 to November 30, 2004, for its exclusive MetLife dental insurance program. The criteria for enrollment include:

- ¥ Current membership in the NJREA (New members are eligible.)
- ¥ Proof of dental care within the preceding 24 months
- ¥ Completed enrollment form, postmarked by November 30, 2004

Future enrollment periods will occur each fall. However, after this **final open enrollment period** ends on November 30, 2004, only members who had group dental coverage within the preceding 24 months will be able to enroll.

Membership in the NJREA is open to retirees from New Jersey public school districts and public colleges. Applications for NJREA membership, dental enrollment kits, and information about regional meetings may be found online at www.njea.org/RetiredEducators or by contacting the Membership Unit of the NJEA at:

180 West State Street
P. O. Box 1211
Trenton, New Jersey 08607-1211
Telephone number: 1-609-599-4561

There will be four regional meetings in the fall to inform educational retirees about participating in the NJREA dental program:

- ¥ September 29, 2004 at Friar Tuck Inn, 691 Pompton Avenue, Cedar Grove, NJ;
- ¥ October 13, 2004 at MetLife Headquarters, 501 Route 22 West, Bridgewater, NJ;
- ¥ October 27, 2004 at NJEA Region 29 Office, Suite 508, Golden Crest Corporate Center, 2279 State Highway 33, Hamilton Township, NJ; and
- ¥ November 10, 2004 at Masso's Red Pine Inn, 210 South Delsea Drive, Route 47, Glassboro, NJ.

Presentations at each of the above locations will begin at 10:30 a.m. and 1:00 p.m. Seating is limited at each site. To register, please mail a note to the attention of the NJREA (in care of the NJEA's address above) containing your name, address, phone number and the time/date of the meeting you wish to attend. Your form **MUST** be received by the NJREA at least two weeks before the meeting. You will only be contacted if your preferred session is not available.

Do not contact the State Health Benefits Program or the Division of Pensions and Benefits regarding this program. You must contact MetLife at 1-800-ASK-4-MET (option 8) or the NJREA for more information.

New Medicare Benefits *(continued from page 1)*

The only time it may be beneficial to enroll in a Discount Card Program would be if the retiree purchased a number of over-the-counter drugs (that do not require a prescription) on a regular basis. Savings would be recognized if the Discount Card Program offers a discounted price for those particular over-the-counter drugs, and if the savings throughout the year exceed the cost of the annual enrollment fee. **Retirees are urged to carefully read all the promotional material distributed by Discount Card Program sponsors** to make sure they fully understand each program's rules. **The SHBP will not reimburse retirees for the cost of enrolling in a Discount Card Program.**

Drug Benefit — To Be Effective January 1, 2006

The SHBP is monitoring the CMS's activities pertaining to the Medicare Prescription Drug Benefit. The CMS has not published the program rules, nor has it released its request for proposals. Until rules are published, the SHBP is unable to determine the effect on coverage in 2006. The SHBP will recommend a course of action for SHBP retired members when more information becomes available.

Medicare HMOs and PPOs

This law will also affect the old Medicare program. Medicare HMOs and PPOs will prosper because of increased federal payments to the insurance providers. As a result, insurance companies *(continued on next page)*

New Medicare Benefits

(continued from page 7)

and HMOs will be mailing enticing marketing materials to Medicare eligible persons asking them to join their plans. If you decide to take advantage of these offers, you must keep in mind the following:

1. These plans are not part of the State Health Benefits Program (SHBP).
2. If you join one of these Medicare HMOs or PPOs and by doing so, drop your SHBP coverage, current regulations **will not allow** you to re-enroll in the SHBP at a later date for any reason.

Fraud Alert

Whenever new programs such as these are offered, unscrupulous individuals attempt to exploit seniors. This has been the case with this new Medicare Discount Card Program. Be careful of unsolicited offers, particularly those that sound too good to be true. They probably are.

For complete details about these programs, contact the Centers for Medicare and Medicaid Services at 1-800-Medicare (1-800-633-4227). TTY users can call 1-877-486-2048. Information is also available on Medicare's Web site at www.medicare.gov

New Jersey State Health Benefits Program



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The selections in this publication are for information purposes only and, while every attempt at accuracy is made, it cannot be guaranteed.

If you would like to see any particular health benefits issue addressed, please forward your ideas to Health Reporter, Division of Pensions and Benefits, Office of Client Services, PO Box 295, Trenton, NJ 08625-0295 or e-mail us at: pensions.nj@treas.state.nj.us

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